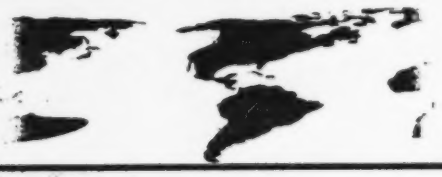
SGGF

MANAGEMENT CORPORATION

2005 Annual Report



Creating economic wealth and diversification through investment of immigrant investor capital in Saskatchewan

SASKATCHEWAN GOVERNMENT
GROWTH FUND

MANDATE

The Saskatchewan Government Growth Fund Management Corporation was established in 1989 under Order-In-Council to create and manage investment funds that have been accepted as government administered venture capital funds under the Federal government's Immigrant Investor Program.

VISION

Saskatchewan Government Growth Fund Management Corporation envisions the creation of economic wealth and diversification through investment of immigrant investor capital in Saskatchewan.

MISSION

The mission of Saskatchewan Government Growth Fund Management Corporation is to participate in the Federal government's Immigrant Investor Program for the purpose of acquiring relatively low cost capital for investment in the Saskatchewan economy on commercial terms, thereby creating wealth and diversification, while also ensuring a return of capital and nominal investment income to the immigrant investor.

SASKATCHEWAN GOVERNMENT GROWTH FUND
MANAGEMENT CORPORATION

LETTER OF TRANSMITTAL

Regina, Saskatchewan
February 8, 2006

Honourable Eric Cline
Minister Responsible

To Her Honour
The Honourable L.M. Haverstock
Lieutenant Governor of the
Province of Saskatchewan

Madam:

I have the honour to submit herewith the Annual Report of Saskatchewan Government Growth Fund Management Corporation for the year ended December 31, 2005, including the consolidated financial statements duly certified in the form approved by the Treasury Board, all in accordance with **The Crown Corporations Act, 1993**.

I have the honour to be,
Your obedient servant,

Honourable Eric Cline
Minister Responsible
Saskatchewan Government Growth Fund Management Corporation

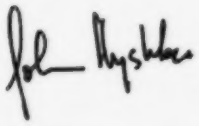
SASKATCHEWAN GOVERNMENT GROWTH FUND
MANAGEMENT CORPORATION

MESSAGE FROM THE CHAIR

I am pleased to report on the activities of the Saskatchewan Government Growth Fund Management Corporation (SGGF MC) for the year ending December 31, 2005.

Since its creation in 1989, SGGF MC's eight fund companies have raised approximately $275 million from investors wanting to immigrate to Canada. These funds have provided capital to Saskatchewan entrepreneurs and supported Saskatchewan infrastructure projects. This initiative has also helped develop the province's private sector venture capital industry.

I wish to thank the management of SGGF MC and my fellow Directors for their work during 2005. In January, we were shocked and saddened by the untimely passing of our Assistant Chair, Larry Spannier. Larry was a cherished colleague whose measured and timely input was appreciated by his fellow Board members and SGGF MC staff. I would also like to thank the management and Board of the SGGF fund companies who provide the day to day interface with SGGF investors and clients.



John Hyshka
Chair, Board of Directors
Saskatchewan Government Growth Fund Management Corporation

CORPORATE OVERVIEW

The Federal Immigrant Investor Program (IIP) was created to promote, encourage, and facilitate the immigration to Canada of persons from abroad who will make a positive contribution to Canada's economic development by applying their risk capital to Canadian ventures which create jobs for Canadians.

Under the investor category of the program, investors are defined as persons who have successfully operated, controlled, or directed a business or commercial undertaking and who have, from their own endeavors, accumulated a net worth of at least $500,000. The investor category is designed for successful business persons who wish to immigrate to Canada and invest in a Canadian enterprise but do not wish to participate in its management.

The guidelines of the IIP require investors to make an investment of $250,000 in a government administered venture capital fund accepted by both the Federal and provincial governments. Neither the Federal government nor the Provincial government provides any guarantee on the return of the principal to the investors. Saskatchewan participated in the program to avail itself of this source of investor capital to support employment creation in the province. In 1999, the province withdrew from the program.

Saskatchewan Government Growth Fund Management Corporation (SGGF MC) was established to create and manage the funds set up under the terms of the IIP as government administered venture capital funds. SGGF MC administers to eight subsidiary fund companies. Each fund is incorporated under The Business Corporations Act.

SGGF MC holds all voting shares for the fund companies and has appointed the directors of each fund company board. SGGF MC delegates all decisions and matters related to the investment activities of the subsidiary fund companies to the boards of directors of each of the funds.

SGGF MC ensures that administrative and investment management services are provided to each of the fund companies through a long-term management agreement with Crown Capital Partners Inc. These services include fund marketing, investor relations and communication services related to the Immigrant Investor Program, as well as investment, accounting, and management of the investment portfolios on behalf of the fund companies.

GOVERNANCE STRUCTURE

Due to its designation as a Crown Investments Corporation of Saskatchewan (CIC) Crown corporation, SGGF MC comes under the purview of CIC's governance structure. SGGF MC financial statements are included in CIC's consolidated annual statements.

SGGF MC is sole shareholder of the eight Fund Companies established under **The Business Corporations Act**. As shareholder, SGGF MC has the authority to:

- appoint directors to the Boards of each of the Fund Companies;
- appoint an auditor for the Fund Companies;
- enter into management services contracts for services required by the Fund Companies; and,
- provide the Fund Companies with technical, accounting, legal, or other services required.

Role of the Board

The SGGF MC Board of Directors is responsible for the stewardship of the Corporation. In order to carry out this responsibility, the Board approves the Corporation's overall strategic plan, operating budget and performance indicators. The SGGF MC Board also sets broad performance indicators for the Fund Companies and monitors their results. However, with respect to investment of immigrant monies, the Board maintains an arms length relationship with the Fund Companies who have independent Boards responsible for their investment decisions.

The SGGF MC Board also serves as the Audit Committee. Audit plans are presented to and approved by the Board on an annual basis by the external auditor, Deloitte & Touche, and the Provincial Auditor of Saskatchewan. The audit of SGGF MC encompasses an opinion on its financial statements, an opinion on its system of internal control, an opinion on its compliance with legislative and related authorities, as well as any other matters that the auditor may note and report on. Final audit reports are presented to the Board prior to the approval of annual financial reports. In addition, SGGF MC's management provides the Board with an analysis of financial results on a quarterly basis in comparison to prior year and budget amounts, ensuring the Board is apprised of any issues impacting SGGF MC's financial reporting processes and results.

Board Composition

Board members are appointed in accordance with **The Crown Corporations Act, 1993**, for a term of up to three years. Board appointments are recommended by the CIC Board and approved by the Lieutenant Governor in Council.

The SGGF MC Board is composed of four individuals, two from outside government including the Board chair and two senior civil servants. All are independent of corporate management and of those providing management services to the Fund Companies. One independent director also serves as chair of the Fund Companies Boards thus providing an important link between the Boards of Fund Companies and the SGGF MC Board.

John Hyshka (Chair) holds a Bachelor of Commerce degree and has 14 years of economic business development and venture capital experience. He is currently the Chief Financial Officer and Chief Operating Officer of a privately owned biological discovery corporation in Saskatoon, Saskatchewan.

Larry Spannier (Vice Chair - In Memoriam) held a Bachelor of Arts and a Bachelor of Administration degree. During his government career he served in a variety of senior positions including Deputy Minister of Industry and Resources. Most recently, he was Senior Vice President of Economic Initiatives with Crown Investments Corporation of Saskatchewan.

SASKATCHEWAN GOVERNMENT GROWTH FUND
MANAGEMENT CORPORATION

GOVERNANCE STRUCTURE (continued)

Ron Styles has a Masters of Arts degree, Economics and has 26 years of government experience. He has served as Deputy Minister of Highways and Transportation, President of SaskWater Corporation, Associate Deputy Minister of Municipal Government and President of Saskatchewan Housing Corporation. Ron is currently Saskatchewan's Deputy Minister of Finance.

Roland Hardy is retired after a 37 year career with a major Canadian chartered bank where he was involved in loan portfolio management, lending policies and small business practices. He is also Chair of SGGF Fund Companies Board of Directors.

Board Orientation and Director Development

Upon appointment, new Board members receive an orientation overview delivered by management. In addition, CIC delivers ongoing education for Directors to assist them in the performance of their duties.

Accountability and Board Performance

The SGGF MC Board has reviewed its governance practices against the TSX Corporate Governance Guidelines. These guidelines address the key areas or responsibility for effective corporate governance. Please refer to the following page for a detailed evaluation of these guidelines against SGGF MC governance practices.

Management Team

The management team of SGGF MC consists of employees of the parent company, CIC. All responsibilities associated with the hiring, evaluation, and administration of the SGGF MC management team are carried out by the Board of Directors in consultation with CIC. Currently, the team consists of three members: President, Chief Financial Officer, and Controller. The President is appointed by the Governor in Council.

Don Axtell, President, holds a Bachelor of Arts degree and has 30 years of finance and corporate governance experience in both the public and private sectors. He is currently Acting Vice President, Economic Initiatives at CIC.

John Amundson, CA, Chief Financial Officer, is a Chartered Accountant and holds a Bachelor of Commerce degree. He is currently Corporate Controller at CIC and has 12 years of accounting and finance experience in the public sector.

Sheri Lucas, CA, Controller, is a Chartered Accountant and holds a Bachelor of Commerce degree. She is currently Manager, Financial Reporting, at CIC and has eight years of finance and accounting experience in the public and private sectors.

The management team carries out the strategic direction set by the SGGF MC Board of Directors and is accountable to the Board. Its responsibilities include planning, budgeting, internal controls and processes, financial reporting and analysis, and oversight of investment management. The management team works with Crown Capital Partners Inc., the investment services corporation, to ensure administrative and investment management services are provided to each of the fund companies.

As CIC employees, the management team carries out its administrative duties in accordance with CIC policies. These policies include a Code of Conduct policy that governs the use of corporate property, adherence to confidentiality policies, and employee conduct. A Conflict of Interest policy is also in place to address the use of confidential information and outside business involvement. The management team, as employees of CIC, do not receive compensation from SGGF MC and as such, Board members do not review compensation programs for the management team.

GOVERNANCE STRUCTURE (continued)

TSX Corporate Governance Committee's Guidelines	SGGF MC's Corporate Governance Practices
1. The Board should explicitly assume responsibility for the stewardship of the Corporation, and specifically for:	
(a) The adoption of a strategic planning process.	The Board of Directors has a formal mandate with responsibility to function as stewards of the Corporation. One of the Board's primary functions is to provide leadership in determining the Corporation's long-range strategic direction and to approve the Corporation's overall strategic plan and performance management plan. As part of its planning process, the SGGF MC Board reviews and approves the strategic plan on an annual basis. Financial goals, policy objectives, operating budgets, and business plans of SGGF Fund Companies are important considerations in setting both short term targets and long term strategic direction. **Consistent With TSX Guidelines: YES**
(b) The identification of the principal risks of the Corporation's business and ensuring the implementation of appropriate systems to manage these risks.	The Board identifies the principal risks of the Corporation on an annual basis. Risks are monitored through reporting activities of SGGF MC management and communication with SGGF Fund Company Boards. **Consistent With TSX Guidelines: YES**
(c) Succession planning, including appointing, training, and monitoring senior management.	SGGF MC does not have paid senior management. Senior management is provided by CIC free of charge. CIC has committed to provide executive staff from its Economic Initiatives and Finance & Administration Divisions. **Consistent With TSX Guidelines: PARTIALLY**
(d) A communications policy for the Corporation.	As a CIC Crown corporation, SGGF MC follows the communications guidelines of the commercial Crown corporation sector. SGGF MC maintains its web-site, sggfmc.com, to facilitate communication with stakeholders. **Consistent With TSX Guidelines: YES**
(e) The integrity of the Corporation's internal control and management information systems.	The Provincial Auditor of Saskatchewan issues an opinion on SGGF MC's system of internal controls. External auditors and the Provincial Auditor are also provided with an in camera session with the Board of Directors to discuss internal control for financial reporting issues. **Consistent With TSX Guidelines: YES**
2. (a) The Board should be constituted with a majority of individuals who quality as "unrelated" directors. An unrelated director is a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the Corporation, other than interest and relationships arising from shareholding.	There are four individuals on the SGGF MC Board of Directors. John Hyshka (Chair), Larry Spannier (Vice Chair - In Memoriam), Ron Styles, and Roland Hardy. None of the Directors are related to the operations of SGGF MC. **Consistent With TSX Guidelines: YES**

GOVERNANCE STRUCTURE (continued)

TSX Corporate Governance Committee's Guidelines	SGGF MC's Corporate Governance Practices
(b) The Board should disclose if the Corporation has a "significant shareholder" and how the Board reflects the interests of the shareholders other than the significant shareholder.	SGGF MC is a statutory Crown corporation and does not have any share capital. **Consistent With TSX Guidelines: YES**
3. The Board is required to disclose on an annual basis the analysis of the application principles supporting the conclusion of whether the director is related or an unrelated director.	John Hyshka, Chair: UNRELATED Chief Financial Officer, Phenomenome Discoveries Inc. Larry Spannier, Vice-Chair (In Memoriam): RELATED Vice President, Economic Initiatives, CIC Ron Styles: RELATED Deputy Minister of Finance Roland Hardy: UNRELATED Business person Two of the four directors are external and unrelated to management. None of the unrelated directors have received remuneration from the Corporation in excess of fees and compensation as directors of the Corporation and subsidiaries, nor have they engaged in material contracts to perform other services for the Corporation. Two of the directors are deemed to be related as employees of the Government of Saskatchewan but unrelated to the operations of the SGGF MC. **Consistent With TSX Guidelines: PARTIALLY**
4. The Board should appoint a committee of directors composed exclusively of outside (i.e., non-management) directors, a majority of whom are unrelated, with the responsibility for proposing to the full Board new nominees to the Board and for assessing directors on an ongoing basis.	The Board acts as a nomination committee for proposing new members to CIC and Executive Council. All Directors are unrelated to the operations of SGGF MC. **Consistent With TSX Guidelines: YES**
5. The Board should implement a process for assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors.	The SGGF MC Board has a process for assessing its effectiveness, which is consistent with CIC's guidelines. **Consistent With TSX Guidelines: YES**
6. The Board should provide an orientation and education program for new directors.	New Board members are provided with extensive orientation materials and a training program facilitated by CIC. **Consistent With TSX Guidelines: YES**
7. The Board should examine its size with a view to facilitate more effective decision-making.	The Board can examine its size and recommend changes to CIC. **Consistent With TSX Guidelines: PARTIALLY**
8. The Board should review the adequacy and form of the compensation of directors to ensure the responsibilities and risks involved in being an effective director are reflected.	Compensation for Directors is set up by CIC, the parent company. **Consistent With TSX Guidelines: PARTIALLY**

GOVERNANCE STRUCTURE (continued)

TSX Corporate Governance Committee's Guidelines	SGGF MC's Corporate Governance Practices
9. Board committees should generally be composed of outside (i.e., non-management) directors, a majority of whom are unrelated.	SGGF MC Board of Directors does not have any members who are part of management. **Consistent With TSX Guidelines: YES**
10. The Board should appoint a committee responsible for developing the Corporation's approach to governance issues and these guidelines.	SGGF MC Board of Directors is responsible for developing the Corporation's approach to governance issues and reviewing effectiveness of guidelines and processes. **Consistent With TSX Guidelines: PARTIALLY**
11. (a) The Board should develop position descriptions for the Board and for the CEO, involving the definition of the limits to management's responsibilities.	The Board of Directors has agreed to Terms of Reference which outline the responsibilities for the Board and Management. The Board of Directors has approved policies for the execution of documents and expenditure authorities for the CEO and Senior Management. These policies outline the limits to Senior Management's authorities and the levels for which matters must receive Board of Directors approval. **Consistent With TSX Guidelines: YES**
(b) The Board should develop the corporate objectives which the CEO is responsible for meeting.	On an annual basis the Board of Directors provides the President with a mandate itemizing its expectations with respect to the Corporate objectives which will be met over the following year. **Consistent With TSX Guidelines: YES**
12. The Board should have in place appropriate structures and procedures to ensure that the Board can function independently of management.	The independence of the Board is ensured through the coordination of Board matters by the Chair, who is an outside and unrelated director. At each meeting of the Board of Directors, an in-camera session is held where the President, as well as senior management staff, is excused. **Consistent With TSX Guidelines: YES**
13. The audit committee of the Board should be composed only of outside directors and its roles and responsibilities should be specifically defined.	Functions typically performed by an Audit and Finance Committee are carried out by SGGF MC Board, of whom two members are outside directors. **Consistent With TSX Guidelines: PARTIALLY**
14. The Board should implement a system which enables individual directors to engage outside advisers at the expense of the Corporation in appropriate circumstances.	The Board may obtain the advice and counsel of external advisors if, in the opinion of the Board, it is necessary in order to properly discharge their function, duties and responsibilities that such advisor be engaged. **Consistent With TSX Guidelines: YES**

STRATEGIC PERFORMANCE REPORTING

Crown Investments Corporation of Saskatchewan (CIC) is the holding company for Saskatchewan's commercial Crown corporations. For governance purposes, SGGF MC is designated as a CIC Crown Corporation, established to create and manage investment funds that have been accepted as government administered venture capital funds under the Federal government's IIP.

Under the program, eight subsidiary funds have been created. The funds were marketed to eligible and qualified foreign investors who in return for their investment subscription to a fund received Canadian citizenship under relaxed immigration criteria. The funds invested capital raised from these immigrant investors into small and medium-sized businesses and infrastructure projects in Saskatchewan to support economic growth and diversification.

Performance Management Process

On an annual basis, CIC develops its Crown Sector Strategic Plan which provides a guiding vision for the Crown sector. The Crown Sector Strategic Plan's main objective is to clearly articulate shareholder expectations and provide long-term direction to facilitate planning and corporate strategies in subsidiary Crown corporations that are consistent with shareholder direction. The plan includes a guiding vision statement for the Crown sector, its primary business purposes, common business values, and sirategic business objectives.

SGGF MC supports these strategic objectives and has developed specific objectives, measures, and targets that are aligned with these expectations. The investment activities carried out through the SGGF Funds contribute and support the following strategic directions:

- to advance the social and economic policies of the people of Saskatchewan with a specific objective to contribute to economic diversification and growth through the supply of immigrant investor capital to Saskatchewan business; and,
- to operate effectively and efficiently to provide an appropriate return to the people of Saskatchewan as a result of this investment activity and,
- to facilitate accountability and transparency by publicly reporting quarterly and annual results, made available on the SGGF MC web-site.

SGGF MC strategic objectives, measures, and targets are approved annually as SGGF MC's Balanced Scorecard. The Crown Sector Strategic Plan and Balanced Scorecard together form an integrated short-and-long term strategic performance management system. SGGF MC measures its performance against the following key objectives using this system. It reports quarterly on its performance to both the SGGF MC and CIC Boards.

STRATEGIC PERFORMANCE REPORTING (continued)

SGGF MC Balanced Scorecard

The SGGF MC balanced scorecards below were approved by the SGGF MC Board, and also by the CIC Board of Directors as part of the annual performance management planning process for the Saskatchewan Crown sector. As SGGF MC expects its operations to wind down by 2010, performance measures are limited and financially oriented.

The Financial Perspective reports SGGF MC's performance in returning a profit to the shareholder. In 2005, the target return to the General Revenue Fund was not met as the scheduled payment was deferred until settlement of outstanding litigation. These dividend projections reflect distribution of anticipated surplus from SGGF Ltd. (Fund I).

FINANCIAL PERSPECTIVE – MEET SHAREHOLDER EXPECTATIONS
Strategy – a planned, orderly, profitable exit and wind-up strategy for each Fund to maximize profits to be paid to the General Revenue Fund in a timely manner.

Objectives	Measures	2004 Results	2005 Target	2005 Results	2006 Target	2007 Target	2008 Target	2009 Target
Return cash surplus to the General Revenue Fund (GRF)	Annual cash surplus declared as dividend to SGGF MC from the funds	$ nil	$1.6M	$ nil	$1.6M	$2.7M	$ nil	$ nil

The Public Policy Perspective reflects participation by SGGF MC in the economic growth and development of Saskatchewan. However, as the Fund Companies enter the final stages of their investment life cycles and divestitures occur, the amount of capital employed will decrease. In 2005, capital participation substantially met the target level of investment.

PUBLIC POLICY PERSPECTIVE – MEET PUBLIC POLICY EXPECTATIONS
Strategy – to advance provincial economic growth and development.

Objectives	Measures	2004 Results	2005 Target	2005 Results	2006 Target	2007 Target	2008 Target	2009 Target
Supply of foreign capital to support provincial economic growth	Active capital participation in provincial small and medium enterprises (SME's)	$18M	$14M	$14.1M	$3.5M	$ nil	$ nil	$ nil

Looking Ahead to 2006

SGGF fund companies have provided an important source of venture capital financing in Saskatchewan to assist in economic development in the Province. As more funds reach maturity, increasing focus will be placed on extracting the most value from its remaining investments in order to maximize payments to its investors. The Board of Directors of SGGF MC and its fund companies must carefully balance the objective to promote economic development, supporting commercial and viable investments, with the desire to meet investor obligations as they mature.

MANAGEMENT DISCUSSION AND ANALYSIS

The mission of SGGF MC is to participate in the Federal government's IIP for the purpose of acquiring relatively low cost capital for investment in the Saskatchewan economy on commercial terms. Investment of this capital creates economic wealth and diversification, while also ensuring a return of capital and nominal investment income to the immigrant investor.

The ability of SGGF MC to raise additional funds under the IIP ended on March 31, 1999, when a new Federal program was launched and SGGF MC declined to participate. The capital currently under management and from the three funds launched in 1999 will require administration for at least the next five years.

SGGF MC manages eight government administered venture capital funds under the old IIP, specifically:

Saskatchewan Government Growth Fund Ltd. (SGGF I);
Saskatchewan Government Growth Fund II Ltd. (SGGF II);
Saskatchewan Government Growth Fund III Ltd. (SGGF III);
Saskatchewan Government Growth Fund IV Ltd. (SGGF IV);
Saskatchewan Government Growth Fund V (1997) Ltd. (SGGF V);
Saskatchewan Government Growth Fund VI Ltd. (SGGF VI);
Saskatchewan Government Growth Fund VII Ltd. (SGGF VII); and,
Saskatchewan Government Growth Fund VIII Ltd. (SGGF VIII).

Since 1989, SGGF MC has raised, through its Fund Companies, approximately $275 million of immigrant investor capital for investment in Saskatchewan small and medium-sized enterprises. Approximately $273 million of this capital has been invested in 72 eligible businesses and infrastructure projects. As SGGF Funds are no longer accepting immigrant investor capital, no further investments took place in 2005.

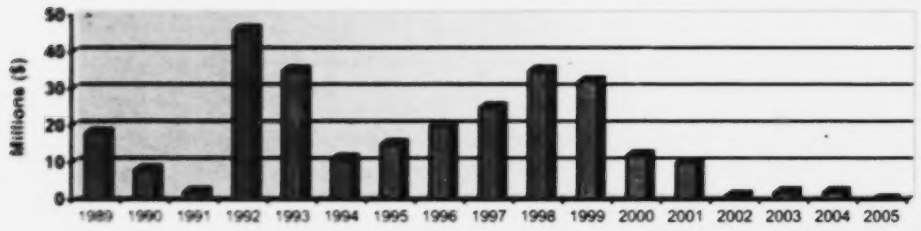
Substantially all of the administration and investment advisory services for the Fund Companies are contracted out to a fund manager. Each Fund Company is managed as a distinct entity and the fund manager is paid a monthly fee for its services. The manager will also receive a share of the net profits, if any, of a Fund after all liabilities, including investor obligations, of the Fund have been paid.

SGGF I's results have been consolidated with those of SGGF MC in these financial statements since all of SGGF I's investors have been redeemed and SGGF MC is now able to share in the risks and rewards of ownership of SGGF I.

SGGF MC consolidated 2005 loss of $0.09 million was below $.54 million net earnings in 2004. This decrease is primarily due to a $0.42 million gain on sale of an investment held in SGGF Ltd. which occurred in 2004.

The operating revenues of SGGF MC are based on its expenditure levels as ongoing management expenses are charged to the Fund Companies at a modest mark up. Management fee revenue of $1.84 million in 2005 is down from the $2.54 million earned in 2004. As SGGF Fund Companies begin to wind down operations and management expenses are reduced, SGGF MC will continue to see revenue reductions in future reporting periods.

Investment Capital Raised



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Fund Company Highlights

SGGF I: Since the last of its investors were redeemed in 1998, the focus of the Fund has been on liquidating its investments when opportunities arise.

SGGF II: The Fund made a payment of $47 thousand in 2005 to each of the 31 investors who had received no payment at the maturity of their bonds. The Fund has liquidated all of its investments and no further payments to bondholders will be possible.

SGGF III: The priority of SGGF III continued to be the liquidation of its portfolio to provide funds for investor requirements. In 2005, the Fund recorded net income of $4.6 million, primarily as a result of the recognition of an increase in the fair value of its investment in Big Sky Farms. All investors have now received $165 thousand on their notes. Current forecasts project that sufficient cash could be generated to pay the remaining principal amounts of the notes as well as accrued interest in 2007.

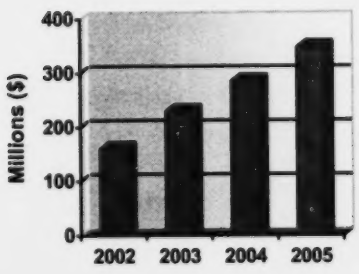
SGGF IV: The priority of SGGF IV was the management of its investments to achieve the best liquidation proceeds possible. During 2005, SGGF IV incurred a loss of $148 thousand resulting in an accumulated deficit of $841 thousand. An additional $20 thousand was paid to each investor in 2005. All investors have now received $235 thousand on their notes. As a result of investment losses, it is unlikely that the Fund will be able to repay the full principal amount of the note obligations to investors.

SGGF V: The priority of SGGF V was management of its investments to achieve the best liquidation proceeds possible. A loss for the year of $362 thousand increased its accumulated deficit to $1.6 million. Payment of matured notes was initially set at $190 thousand and was increased to $225 thousand in 2005. It is unlikely that the Fund will be able to fully repay its investors.

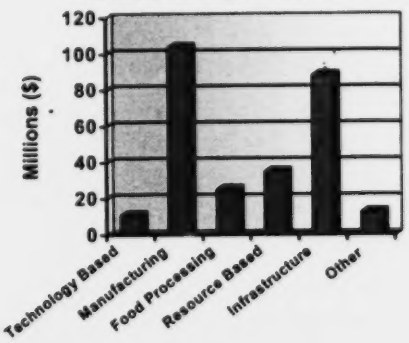
SGGF VI: During 2005, the priority for SGGF VI was to support investees in the development of their businesses and to examine opportunities to improve returns. The Fund incurred a loss of $865 thousand as a result of losses realized on investments and recognition of a reduction in the fair value of investments, partly as a result of the increase in market interest rates. The loss increased its accumulated deficit to $2.2 million. The initial payment on maturity of notes which will commence in 2006 has been set at $190 thousand based on cash flow projections of the Fund.

SGGF VII: During 2005, the priority for SGGF VII was to support investees in the development of their businesses and to examine opportunities to improve returns. The Fund incurred a loss of $966 thousand as a result of losses realized on investments and recognition of a reduction in the fair value of investments, partly as a result of the increase in market interest rates. The loss increased its accumulated deficit to $2.6 million. The initial payment on maturity of notes which will commence in 2006 has been set at $185 thousand based on cash flow projections of the Fund.

Total Sales Level of Investees



Disbursed by Industry



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Fund Company Highlights (continued)

SGGF VIII: During 2005, the priority for SGGF VIII was to support investees in the development of their businesses and to examine opportunities to improve returns. The Fund incurred a loss of $565 thousand as a result of losses realized on investments and recognition of a reduction in the fair value of investments, partly as a result of the increase in market interest rates. The loss increased its accumulated deficit to $2.2 million. The initial payment on maturity of notes which will commence in 2006 has been set at $185 thousand based on cash flow projections of the Fund.

SGGF Fund Companies have adopted investment company accounting standards. This requires investments to be carried at market values.

Outlook for 2006

SGGF I, and II will continue to work towards liquidation of their remaining investments and winding up the Funds.

SGGF III, IV and V will continue to work towards liquidation of their remaining investments in order to maximize proceeds for repayments to remaining investors.

SGGF VI, VII and VIII will focus on managing their remaining investments with a view to achieving the best liquidation proceeds available in the prevailing circumstances to fund repayments of amounts due on notes.

Summary of Financial Position

As at December 31, 2005

	Cash and Cash Equivalents	Investments	Other Assets	Total Assets	Liabilities	Fund Equity (Deficiency)
SGGF I	$ 1,986,381	$ 96,182	$ 1,200,000	$ 3,282,563	$ 209,460	$ 3,073,103
SGGF II	76,897	27,368	–	104,265	8,686,635	(8,582,370)
SGGF III	126,913	10,958,971	4,512	11,090,396	10,182,849	907,547
SGGF IV	968,896	368,214	–	1,337,110	2,177,183	(840,073)
SGGF V	3,693,662	6,812,449	21,573	10,527,684	12,103,692	(1,576,008)
SGGF VI	1,154,692	18,478,877	326,464	19,960,033	22,141,147	(2,181,114)
SGGF VII	922,352	18,080,429	370,135	19,372,916	22,010,766	(2,637,850)
SGGF VIII	606,580	13,819,871	405,473	14,831,924	17,045,347	(2,213,423)
Total	$ 9,536,373	$ 68,642,361	$ 2,328,157	$ 80,506,891	$ 94,557,079	$ (14,050,188)

Summary of Results of Operations

For the Year Ending December 31, 2005

	Revenues	Administrative Expenses	Financial Expenses	Total Expenses	Income from Operations	Change in Investment Value	Net Earnings/(Loss)
SGGF I	$ 55,481	$ 13,055	$ –	$ 13,055	$ 42,426	$ (222,853)	$ (180,427)
SGGF II	90,591	37,986	202,550	240,536	(149,945)	47,924	(102,021)
SGGF III	69,587	242,137	197,464	439,601	(370,014)	4,986,139	4,616,125
SGGF IV	203,221	110,105	83,790	193,895	9,326	(157,597)	(148,271)
SGGF V	739,497	306,598	481,295	787,893	(48,396)	(313,762)	(362,158)
SGGF VI	1,018,843	435,887	700,635	1,136,522	(117,679)	(746,911)	(864,590)
SGGF VII	1,021,242	433,065	774,805	1,207,870	(186,628)	(779,052)	(965,680)
SGGF VIII	728,769	339,680	585,825	925,505	(196,736)	(368,142)	(564,878)
Total	$ 3,927,231	$ 1,918,513	$ 3,026,364	$ 4,944,877	$ (1,017,646)	$ 2,445,746	$ 1,428,100

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying Consolidated Financial Statements have been prepared by management of Saskatchewan Government Growth Fund Management Corporation. They have been prepared in accordance with generally accepted accounting principles in Canada, consistently applied, using management's best estimates and judgments where appropriate. Management is responsible for the reliability and integrity of the Consolidated Financial Statements and other information contained in this Annual Report.

The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the financial statements, meeting with management, the Corporation's external auditors Deloitte & Touche LLP, and the Provincial Auditor of Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. The internal controls provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly guarded against unauthorized use and that reliable records are maintained. The Provincial Auditor of Saskatchewan has reported to the Legislative Assembly that these controls are adequately functioning.

Deloitte & Touche LLP has audited the Consolidated Financial Statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the Consolidated Financial Statements, appears opposite.

On behalf of management,

Don Axtell
President

John Amundson, CA
Chief Financial Officer

February 7, 2006

AUDITORS' REPORT

To the Members of the Legislative Assembly of Saskatchewan:

We have audited the consolidated statement of financial position of Saskatchewan Government Growth Fund Management Corporation as at December 31, 2005 and the consolidated statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP
Chartered Accountants

Regina, Saskatchewan
February 7, 2006

Saskatchewan Government Growth Fund Management Corporation
Consolidated Statement of Financial Position
As at December 31

	2005	2004
Assets		
Current		
Cash and short-term investments (Note 3)	$ 2,576,022	$ 1,316,235
Accounts receivable	77,340	247,373
Notes receivable (Note 4)	-	1,184,469
	2,653,362	2,748,077
Funds in trust (Note 5)	1,200,000	1,200,000
Investments (Note 6)	96,182	178,070
Investments in fund companies (Note 7)	8,000	8,000
	$ 3,957,544	$ 4,134,147
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 8)	$ 239,820	$ 325,893
Province of Saskatchewan's Equity		
Equity advances (Note 9)	1,031	1,031
Retained earnings	3,716,693	3,807,223
	3,717,724	3,808,254
	$ 3,957,544	$ 4,134,147

Contingencies (Note 10)

(See accompanying notes)

On behalf of the Board:

Director

Director

Saskatchewan Government Growth Fund Management Corporation
Consolidated Statement of Operations and Retained Earnings
For the Year Ended December 31

	2005	2004
Revenues		
Management fees (Note 11)	$ 1,837,515	$ 2,544,113
Gain on sale of investment	15,269	421,860
Investment income	1,302	97,871
Interest and other income	70,260	128,000
	1,924,346	3,191,844
Expenses		
Fund manager fees	1,546,548	1,833,673
Legal fees and professional fees	385,092	511,873
Directors' fees and expenses	80,206	94,543
General administration	3,030	3,589
Amortization expense	-	1,727
	2,014,876	2,445,405
(Loss) income before investment losses	(90,530)	746,439
Provision for investment losses	-	(206,391)
Net (loss) earnings	(90,530)	540,048
Retained earnings, beginning of year	3,807,223	3,267,175
Retained earnings, end of year	$ 3,716,693	$ 3,807,223

(See accompanying notes)

Saskatchewan Government Growth Fund Management Corporation
Consolidated Statement of Cash Flows
For the Year Ended December 31

	2005	2004
Operating activities		
Net (loss) earnings	**$ (90,530)**	$ 540,048
Items not affecting cash from operations:		
Amortization expense	-	1,727
Provision for investment losses	-	206,391
Gain on sale of investment	**(15,269)**	(421,860)
Net change in non-cash balances related to operations (Note 12)	**83,960**	(54,151)
Cash (used in) provided by operating activities	**(21,839)**	272,155
Investing activities		
Sales of investments	**97,157**	477,101
Disbursements on investments	-	(12,645)
Decrease (increase) to note receivable	**1,184,469**	(149,469)
Cash provided by investing activities	**1,281,626**	314,987
Net increase in cash and short-term investments during year	**1,259,787**	587,142
Cash and short-term investments, beginning of year	**1,316,235**	729,093
Cash and short-term investments, end of year	**$ 2,576,022**	$ 1,316,235

(See accompanying notes)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Saskatchewan Government Growth Fund Management Corporation
December 31, 2005

1. Status of the Corporation

Saskatchewan Government Growth Fund Management Corporation (SGGF Management Corporation) has been established for the purpose of creating and managing fund companies that have been accepted as government administered venture capital funds under the Federal government's Immigrant Investor Program (IIP). Order-in-Council #660/1998 establishes that the provisions of **The Crown Corporations Act, 1993** apply. Accordingly, the financial results of SGGF Management Corporation are included in the consolidated financial statements of Crown Investments Corporation of Saskatchewan (CIC).

These consolidated results include the investment activities of SGGF Management Corporation's subsidiary, Saskatchewan Government Growth Fund Ltd. (SGGF I).

SGGF Management Corporation is a Saskatchewan Crown corporation and therefore is not subject to Federal and Provincial income taxes.

2. Summary of significant accounting policies

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following are considered significant:

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed quarterly and, as adjustments become necessary, they are reported in the Consolidated Statement of Operations and Retained Earnings in the period in which they become known.

Consolidation

The consolidated financial statements include the accounts of SGGF Management Corporation and its subsidiary, SGGF I. All intercompany transactions and balances have been eliminated. See Note 14 for additional information.

Cash and short-term investments

Cash and short-term investments include investments in money market instruments, which are purchased with maturity dates in the current year. Short-term investments are stated at cost which approximates market value.

Investments

Investments include debt investments in private companies, and equity investments in private and public companies. Income from debt investments is recognized as earned and income from equity investments is recognized when received.

Debt investments are carried at cost, net of provisions for credit losses.

2. Summary of significant accounting policies (continued)

Provisions for credit losses are established on impaired debt instruments (loans). A loan is considered to be impaired if, as a result of a deterioration in credit quality, there is no longer reasonable assurance of the timely collection of the full amount of principal and interest. Any loan on which contractual payments are in arrears for 90 days or more is usually assumed to be impaired. Other factors that are considered in determining whether a loan is impaired include the overall credit quality of the borrower and the fair value of the underlying security. When a loan becomes impaired, recognition of interest income ceases. A provision for specific credit losses is established for impaired loans to reduce their value to the estimated fair value of the security underlying the loan. If the credit quality of the loan subsequently improves, a provision is reduced or reversed.

Investments in publicly traded equities are carried at the lower of cost and market where market is determined as the average closing market price over the last 20 trading days prior to the financial statement date, with adjustment to reflect lack of market liquidity.

Investments in equities in private companies are carried at the lower of cost and, where a loss in value that is other than temporary has occurred, net realizable value. Investments that are evaluated as possibly being subject to a loss in value are assessed periodically based on appropriate criteria, including past operating results of the investee and arm's length parties, and liquidity or going concern problems of the investee.

When a decline in the value of an equity investment in a private company is no longer considered to be temporary, the investment is written down and carried at the written down value until disposal of the equity investment.

Investments in fund companies

As at December 31, 2005, SGGF Management Corporation owns 100% of the Class A common shares of seven companies, collectively known as "the funds":

Saskatchewan Government Growth Fund II Ltd. (SGGF II);
Saskatchewan Government Growth Fund III Ltd. (SGGF III);
Saskatchewan Government Growth Fund IV Ltd. (SGGF IV);
Saskatchewan Government Growth Fund V (1997) Ltd. (SGGF V);
Saskatchewan Government Growth Fund VI Ltd. (SGGF VI);
Saskatchewan Government Growth Fund VII Ltd. (SGGF VII); and,
Saskatchewan Government Growth Fund VIII Ltd. (SGGF VIII).

SGGF Management Corporation does not guarantee the performance of the funds nor does it share in the risks of ownership until all investor obligations have been satisfied. Investments in the funds are recorded at cost. Readers should refer to the audited financial statements of the funds for further information on their financial position and operating results.

3. Cash and short-term investments

Included in cash and short-term investments are $496,054 (2004 - Nil) in short-term investments maturing on or before December 31, 2006 and carry an average interest rate of 2.85 per cent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Saskatchewan Government Growth Fund Management Corporation
December 31, 2005

4. Note receivable

On January 5, 2005 the Corporation received payment on its note receivable from Saskatchewan Government Growth Fund II Ltd. (SGGF II) of $147,972 plus accrued interest of $1,574. On April 25, 2005 the Corporation received the payment in full of its remaining note receivable from SGGF II of $1,035,000 plus accrued interest of $130,125.

5. Funds in trust

In 2003, proceeds realized from the divestiture of an investment were placed in trust by SGGF I pending the outcome of a lawsuit against SGGF I on this investment. SGGF I believes that the claims are without merit and will vigorously contest the lawsuit.

6. Investments

	2005	2004
Debt	$ -	$ 71,013
Equity	96,182	107,057
	$ 96,182	$ 178,070

Equity investments include publicly traded shares at a cost of $750 (2004 - $11,625), with an aggregate market value of $1,800 (2004 - $34,875).

During the year investments decreased as follows:

	2005	2004
Balance, beginning of year	$ 178,070	$ 427,057
New investments	-	12,645
Repayments and dispositions	(81,888)	(424,311)
Investments and costs written off	-	(94,318)
Net change in provision for investment losses	-	256,997
Balance, end of year	$ 96,182	$ 178,070

7. Investments in fund companies

	2005	2004
Shares, at cost:		
SGGF II	$ 1,000	$ 1,000
SGGF III	2,000	2,000
SGGF IV	1,000	1,000
SGGF V	1,000	1,000
SGGF VI	1,000	1,000
SGGF VII	1,000	1,000
SGGF VIII	1,000	1,000
	$ 8,000	$ 8,000

8. Accounts payable and accrued liabilities

Included in accrued liabilities is a $100,000 (2004 - $100,000) provision for future fees payable to the fund manager under the terms of its management services agreement with SGGF I. It is payable to the fund manager only upon satisfaction of all liabilities of the fund.

9. Equity advances

SGGF Management Corporation does not have share capital. However, SGGF Management Corporation has received advances from CIC to form its equity capitalization. The advances are an equity investment in SGGF Management Corporation by CIC.

10. Contingencies

SGGF I, together with other parties, is a defendant in several legal actions. SGGF I believes that the claims are without merit and will vigorously contest the lawsuits. No amounts have been provided for in these financial statements. It is not possible to predict the ultimate outcome of the outstanding litigation.

11. Related party transactions

Included in these financial statements are transactions with the funds, various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to SGGF Management Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

During the year SGGF II repaid its amounts owing to the Corporation including principal of $1,182,972 and accrued interest of $131,700.

11. Related party transactions (continued)

Under the terms of ten year Management Agreements between SGGF Management Corporation and the funds, SGGF Management Corporation administers the assets of the funds. The Agreements expire in the following years:

SGGF II, III, and IV	completion of wind-up
SGGF V	2008
SGGF VI, VII, and VIII	2009

SGGF Management Corporation is engaged to provide substantially all of the management services required by the funds. SGGF Management Corporation uses the assistance of various investment advisors and, a fund manager to perform fund administration and due diligence, monitoring, and liquidation of investments. All services provided to the funds are charged on a fee for service basis. Total fees received or receivable from the funds during the year amounted to $1,837,515 (2004 - $2,544,113).

CIC provides management services to SGGF Management Corporation without charge.

Other transactions with related parties are disclosed separately in the financial statements and notes thereto.

12. Net change in non-cash balances related to operations

	2005	2004
Accounts receivable	$ 170,033	$ (167,598)
Accounts payable and accrued liabilities	(86,073)	113,447
	$ 83,960	$ (54,151)

13. Financial instruments

SGGF Management Corporation maintains a portfolio of investments in Saskatchewan businesses. This entails exposure to market risk, credit risk, interest rate risk, and liquidity risk.

Market Risk

Market risk faced by SGGF Management Corporation is the risk that the fair value of its investments may decline due to a reduction in the anticipated earnings generated by the businesses invested in. Some of the companies are dependent upon a single product or industry. SGGF Management Corporation manages these risks through careful due diligence prior to the investment and ensuring that the overall portfolio is properly diversified across various industry sectors.

13. Financial instruments (continued)

Credit Risk

Credit risk is the risk that an investee will fail to perform its obligations. Concentration of credit exposure may arise given that SGGF Management Corporation restricts investments to businesses operating in Saskatchewan and therefore all investments are subject to similar economic conditions. The ability of such companies to meet contractual obligations would be similarly affected by changing economic, political, or other conditions. SGGF Management Corporation conducts a thorough due diligence process prior to committing to the investment and actively monitors the financial health of its companies on an on-going basis. In addition, some companies operate in and export to other provinces or international markets thereby mitigating this risk.

Interest Rate Risk

Interest rate risk reflects the risk that SGGF Management Corporation's earnings will decline due to fluctuations in interest rates. SGGF Management Corporation manages this risk through careful monitoring and matching the duration of its short-term deposits and investments with its liabilities.

Liquidity Risk

Liquidity risk is the risk that difficulty will be encountered in liquidating its investments at an amount close to fair value. There is no immediate need to liquidate the remaining investments. SGGF Management Corporation intends to hold these investments until it is able to liquidate them at an amount close to fair value.

Fair Value

Certain of SGGF Management Corporation's financial statements including cash and short-term investments, funds in trust, accounts receivable, note receivable, accounts payable and accrued liabilities, and commissions payable have carrying amounts that approximate fair value due to their short-term maturity.

SGGF Management Corporation has not attempted to determine the fair value of its other investments due to the costs associated with this type of evaluation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Saskatchewan Government Growth Fund Management Corporation
December 31, 2005

14. Consolidation of SGGF I

The results of SGGF I have been consolidated and accounted for using the purchase method. Summarized financial statements of SGGF I are as follows:

	2005	2004
Statement of Financial Position		
Cash	$ 1,986,382	$ 1,066,669
Funds in trust	1,200,000	1,200,000
Investments	96,182	178,070
Other assets	-	1,153,379
	$ 3,282,564	$ 3,598,118
Liabilities	$ 209,460	$ 344,588
Equity	3,073,104	3,253,530
	$ 3,282,564	$ 3,598,118
Statement of Operations		
Revenues	$ 70,750	$ 639,194
Expenses	(13,055)	(22,368)
Investment losses	(238,122)	(206,391)
Net (loss) earnings	$ (180,427)	$ 410,435

15. Comparative Figures

Certain of the comparative figures have been reclassified to conform to current year's presentation.

CORPORATE DATA

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Minister Responsible
Hon. Eric Cline

Board of Directors
Mr. John Hyshka, Chair
Mr. Larry Spanner, Vice-Chair (In Memoriam)
Mr. Ron Styles
Mr. Roland Hardy

Fund Companies
Saskatchewan Government Growth Fund Ltd.
Saskatchewan Government Growth Fund II Ltd.
Saskatchewan Government Growth Fund III Ltd.
Saskatchewan Government Growth Fund IV Ltd.
Saskatchewan Government Growth Fund V (1997) Ltd.
Saskatchewan Government Growth Fund VI Ltd.
Saskatchewan Government Growth Fund VII Ltd.
Saskatchewan Government Growth Fund VIII Ltd.

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Saskatchewan Government Growth Fund

MANAGEMENT CORPORATION

SASKATCHEWAN GOVERNMENT
GROWTH FUND

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